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Repositioning Horlicks in Pakistan

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ABSTRACT

This research presents the concepts of positioning, re-positioning and de-positioning through a nutritional drink Horlicks; which is a malted milk-based drink fortified with vitamins and calcium. Single case study methodology was adopted. The paper reviews the journey of Horlicks since its introduction in Pakistan, its target market, positioning, promotional strategy, competitive situation and future outlook.

Even though Horlicks is a famous and successful global brand, it hasn't had smooth sailing since its launch in Pakistan. First of all, the product itself was not well received by the masses in Pakistan due to its malt based flavor. GSK did not conduct any pre-launch research, post launch study or marketing at the time of launch which resulted in lower sales and consumer response than expected. The product was repositioned to new market segment and proved to be a success story.

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1. Introduction

The purpose of this paper is to illustrate the concepts of positioning, de-positioning and repositioning with the help of single case study. It starts with the theoretical definitions of the embedded concepts, explains the process of repositioning in-depth and at the end provides marketing insights into the subject area.

2. Literature Review

Positioning concept is defined as how potential buyers see the product, and is expressed relative to the position of competitors. It's a first concept to deal with the problems of communication with over communicated society. It's a concept in which a company creates a position in the prospects mind, one that reflects the company's own strengths and weaknesses as well as those of its competitors (Al-Ries, 2000). Leading manufacturers are offering new trial samples to users of competing brands for creating a positive image in the customer's minds. These are the examples of new ways to communicate with their customers that capitalize on and leverage the long-term relationship between the advertiser and consumer (Copulsky and Wolf, 1990). In the UK, small UK-based computer company implementing the theory and practice of positioning strategy and achieved tremendous success (Brooksbank, 1994).

Re-positioning refers to the major change in positioning for the brand/product. To successfully reposition a product, the company has to change the target customers understanding of the brand or product. It involves changing the identity of a product, relative to the identity of competing products, in the collective minds of the target market. Repositioning is usually done due to declining performance of the brand or product (Vashist, 2005). It is changing consumers' perception of a brand in relation to competing brands (Lamb, 2012). Accenture in the US was transformed from merely good to truly great in a relatively short time because of its reincarnation strategy of repositioning, rebranding and restructuring after experiencing loss compared to its competitors (Kaikati, 2003). The mass markets of previous decades have splintered into smaller market segments or niches, in which companies could be safer from cut-throat competition and explore new market opportunities. Although part of a positioning strategy, niche marketing may be used as a deliberate marketing strategy to create "safe havens" and business opportunities for many companies (Tevfik, & Maarten, 1994).

De-positioning involves attempting to change the identity of competing products, relative to the identity of your own product, in the collective minds of the target market. For example a company can inform the audience with a message in the minds of consumer by stating that we are number two and try harder to be in that position, to make the consumers forget about who was number one and also make some philosophical point about being "hungry" for business (Sachiensharan, 2011). Some believe if you are number one you should never look back and deposition the competition. It can be viewed as a ploy only for companies trailing the market leader. If you are a market leader but find yourself seeing a competitor rally in a way that could become a threat, then a preemptive strike may be acceptable.

3. Methodology

Data for the research was collected through primary and secondary sources. Single case study design was selected for this case (Yin, 2009). There are few commonalities in case methodology of study; a) The case study ought to have a “case” that is the object of study; b) The “case” should be a fancy functioning unit; c) be investigated in its natural context with a number of ways; and d) be modern (Yin, 2009). This strategy has been proved fruitful in describing fundamental concepts through single case study design (Anjam & Siddiqui, 2013; Fahim & Siddiqui, 2013; Husain & Siddiqui, 2013; Mangi & Siddiqui, 2013; Salman & Siddiqui, 2013; Siddiqui & Anjam 2013a; Siddiqui & Anjam 2013b; Siddiqui & Anjam 2013c; Siddiqui & Fahim 2013). More recently the concept of re-positioning in Pakistan has been illustrated through a single case study design in services sector (Siddiqui & Fahim 2014) and using print advertisements as major tool for repositioning (Sibghatullah, Siddiqui & Siddiqui (2016).

This paper answers to the demanding question about the positioning, de-positioning and re-positioning concepts from corporate point of view. It could also be valuable for less-experienced marketing managers who would like to have some rule of thumb to decide upon. By contributing to the body of knowledge in this area, this research adds significant value.

4. Case Study

Horlicks is a nutritional drink made from wheat, malted barley and milk. It is a famous global malt beverage fortified with iron and essential vitamins. One serving of Horlicks is said to contain twice the calcium content as compared to a glass of fresh milk. Horlicks is promoted with the slogan 'The Great Family Nourisher' in most of the countries. It is a subsidiary of Glaxo-SmithKline (GSK), UK, one of the largest pharmaceutical companies in the world.

Horlicks was being imported by private importers in Pakistan till 2004. After GSK officially launched Horlicks in Pakistan, they cancelled the licenses of private importers who were previously supplying the product to the local market on an individual basis.

GSK consider Pakistan as a potential market for food and drink items. Horlicks was launched in order to tap into this market and take advantage of the nutritional foods niche which only had limited competition with two major players operating in the sector at that time. Horlicks production is based in Rajahmundry, India and is imported into Pakistan by GSK Consumer Division. Some other importers also independently import the product directly to utilize the price difference between India and Pakistan.

Official launch of Horlicks in Pakistan was intentionally kept low mainly due to the grey import issue. It was also attributed towards roller-coaster political rides between Pakistan and India. Grey import problem has been curtailed to a large extent by putting the pricing parity in India and Pakistan. Uncertain political relations with India still adversely affect consistent supply of Horlicks in Pakistan.

The launch in Pakistan was done without much pre-launch research, which also contributed to the lackluster performance of Horlicks. Only informal research was done before launch comprising analysis of retail audit data bought by GSK in order to gain some knowledge about the retail market for edible items and health drinks. No post launch surveys were conducted on consumer perception of Horlicks in Pakistan since its launch.

Poor promotion and distribution methods were used for the launch of Horlicks. This was one of the main reasons for the initial failure. The way Horlicks was promoted in the market by GSK was similar to any pharmaceutical product. They used direct selling and word of mouth to promote the product¹. Doctors would recommend Horlicks to mothers and children as part of a balanced and healthy diet. This method is common for medicines but it did not work well for Horlicks.

¹ Interview with Nida Zubair, Senior Brand Manager – GSK, conducted on 9th Jan, 2011.

Muller and Phipps was the sole national distributor for Horlicks in Pakistan. The presence of only a sole distributor greatly limited the reach of the brand to small cities. Since, GSK targeted it to only in Pakistan three cities i.e. Karachi, Lahore and Islamabad, so availability to small cities and rural areas was not of much concern, however, when the product is imported, the quantity is never sufficient to cater to all part of these cities

Horlicks is globally positioned as a drink for all times and all events. In the UK, Horlicks is used as a night time drink to help people sleep. It also serves as a substitute for solid food for people with digestive problems. The key regional market of Horlicks in the sub-continent is India where along with the traditional malt based formula, there is also a special preparation for lactating mothers and children aged up to two. In India, Horlicks primarily caters to three market segments which include kids, breast-fed children and the elderly. Horlicks also developed variants such as Elaichi and Za'afran flavors to cater to the local tastes.

In Pakistan, the initial market of Horlicks served mainly by grey imports, were the elderly people who were prescribed Horlicks as a food supplement by doctors. After official launch in Pakistan, Horlicks is targeting mothers of growing children because the market is relatively educated about children and their energy needs. Horlicks has lately focused on children from 7 to 14 years as well. GSK expects the market for Horlicks to grow around 15% per annum. GSK intended to offer a Horlicks alternative for lactating mothers, however, was constrained by the limited production of this variant in India which was struggling to meet its own local demand. In Pakistan, malt flavored Horlicks is available in packaging (a) 350 gm glass bottle; (b) 200 gm pouch; and (c) 500 gm plastic bottle.

4.1 Competition: Horlicks was facing mild competition in the nutritional market which was relatively young and growing. The future of Horlicks in Pakistan however, may be full of tough competition due to arrival of new products such as Ready to Drink (RTD) brands. Currently, the competing brands in the nutritional foods segment are as follows:



4.1.1 BOURNVITA: Bournvita is a chocolate beverage food drink manufactured by Cadbury-Schweppes. This cocoa based drink targeted towards children 2–14 years of age is very popular among parents for its flexibility to be mixed with water or milk. It is also perceived as a chocolate drink full of vitamins and minerals necessary for growing children. In Pakistan, it only caters to a limited market and is imported into the country.



4.1.2 OVALTINE: Owned by British Wander AG, a subsidiary of Twinings, Ovaltine (Figure 3) is the earliest nutritional drink in Pakistan and it currently holds a major chunk of the Pakistani market. However, its market share eroded after arrival of Milo on the scene.



4.1.3 MILO: A milk beverage from food giant Nestlé, Milo (Figure 4) comes with chocolate and malt flavors. Milo was launched after Ovaltine but with superb marketing techniques, solid distribution channels quickly captured Pakistani market.



4.2 Repositioning: Before official launch in Pakistan, Horlicks was positioned as a medicinal drink for the elderly people due to the limited scale of grey imports and lack of awareness among common people about its true use. This perception was developed because doctors used to prescribe it to elderly people as a food supplement due to its high energy content.

GSK is now trying hard to scrub off this perception and reposition Horlicks as a family nourishment drink targeting growing children and young people (Figure -1). GSK wants to differentiate Horlicks on the basis of Malt flavor and high nutritional value as well. However, the promotional strategy will have to go far beyond direct selling and word of mouth

marketing and move towards mass marketing. It also has to keep an eye on competition which is moving ahead into the “Ready to Drink” market which is poised to be the next big thing in nutritional drinks.

The reason of initial perception as food supplement to elderly was also contributed to its almost non-existent taste. The current malted drink is tasted like drinking crushed barley and wheat with water. In Pakistan, taste does matter a lot to children and young adults and even up to middle age people. It is largely perceived that any kind of energy drink with unpleasant taste is for elderly (age above 50 years). GSK sensed this problem soon after the launch and planned for a tastier variant of Horlicks. The flavor they have launched is Chocolate. It was a low risk venture as most people like the taste of chocolate and for a product like Horlicks, which is a nutritious drink, chocolate flavor, would be preferred. Competitors (Ovaltine and Milo) also launched their malted drinks in chocolate flavor.

Figure 1
Repositioning Horlick from elderly drink to children’s drink



Repositioning of Horlicks was intelligently placed in an unoccupied place in perceptual map of consumers (Figure 5). Ovaltine and Milo were optimal in their nutritional values but clearly targeted to adults (35 – 50) and young (18 – 30) people respectively. So, there was an unclaimed territory i.e. high nutritional energy drink for growing children. The previous perception of Horlicks i.e. for elderly was creating direct competition with the Ovaltine.

4.3 Promotion: Horlicks has had limited promotion in the media after launch in Pakistan with virtually nonexistent advertising effort. Public relations campaign was successful to a limited extent and also there was minimum awareness of Horlicks' presence as compared to that of Milo and Ovaltine.

A recent public relations effort was the Inter-school talent competitions for "Horlicks Wizkids" held in 2010 in Karachi, Lahore and Islamabad which witnessed participation of more than 50,000 students from 210 schools. For Horlicks Wizkids 2010, Horlicks India had invited countries like Pakistan, Sri Lanka and Nepal. Dawn news was activity partner in their campaign. However, Horlicks needed mass media promotion to compete effectively in Pakistan.

5. Discussion

Horlicks is now changing its positioning from elderly customers to children. In the west, Horlicks was targeted towards elderly who had digestion problems and needed a healthy diet. In Pakistan, people like their diet to be tasty and fun rather than just healthy and nutritious. Therefore, instead of doctors promoting it to elderly, GSK is now trying to focus on reaching children through various marketing channels.

Horlicks is also planning to involve children in a 360 degree marketing campaign which will include school visits, where children can get free samples, participate in games and appear on television. There will also be inter-school competitions to involve the audience and create a positive image. In India, Horlicks already has a very successful game show on TV, and in Pakistan, they are also planning to start something similar. For creating awareness advertising initiative will be taken and the main vehicle will be TV and Print.

Horlicks is currently facing few threats in Pakistan; (a) Shift to ready to drink (RTD) energy drinks. Milo and Pakola have already made progress in this segment; (b) Heavy import and custom duties; (c) Sourcing issues from India for line extensions (Political situation between two countries); and (d) Grey imports through different channels provide immense

competition to official products. In order to tackle these problems management has decided a multi-leg strategy.

Malt based drink was a novelty in Pakistan and was not preferred by the local market. For this reason, Horlicks is planning to launch line extensions in the form of new flavors in order to cater to the local audience. Future line extensions could include Elaichi and Zafran as was the case in India where these were launched successfully.

6. Conclusion

Before the official launch in Pakistan, Horlicks was positioned as a medicinal drink for the elderly people due to the limited scale of imports, pharmaceutical direct selling approach and lack of awareness among common people about its true usage. This perception was developed because doctors used to prescribe it to elderly people as a food supplement based on its high energy content.

GSK tried hard to scrub off their earlier launch perception and repositioned Horlicks as family nourishment drink targeting growing children and young people in Pakistan. The original work on positioning was not consumer marketing oriented, and was not as much focused on the relativity to competitive products and consumer marketing needs. Horlicks is establishing a moment of real contact with the intended consumer through line extensions by keeping in mind the preferences of local market.

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